PHILIP MORRIS CAPITAL CORPORATION INTER-OFFICE CORRESPONDENCE
800 WESTCHESTER AVENUE, RYE BROOK, NEW YORK 10573-1301

PRIVILEGED AND CONFIDENTIAL

DATE: April 6, 1994

TO: Distribution

FROM: G. C. Adkins

SUBJECT: PMCC--Midland Cogeneration Venture

As many of you know, we are now involved in both litigation and arbitration related to the 1990 leveraged lease financing of the Midland Cogeneration Venture in Midland, Michigan. Through four subsidiaries, PMCC made a total investment of $122 million for an aggregate 22% equity interest in the project. The principal credit support for the transaction is a power purchase agreement (PPA) pursuant to which Consumers Power Company (Consumers) buys electrical power produced by the lessee, Midland Cogeneration Venture Limited Parthership (MCV). In addition to the PPA, Consumers has a very substantial economic interest in the transaction by virtue of its affiliates' equity investments in both MCV and our investor partnership.

A group of equity investors, including the PMCC subsidiaries, has sued Consumers and two of its affiliates in federal district court in New York, asserting claims for breach of contract, fraud, misrepresentation and breach of fiduciary duty arising out of the defendants' conduct in connection with the MCV transaction. In addition, MCV and Consumers have commenced an arbitration directed to issues arising under the PPA, particularly the obligation of Consumers to "support and defend" the PPA in the face of regulatory challenge by the Michigan Public Service Commission (MPSC). Most recently, a Consumers affiliate has brought a state court action in Michigan against the PMCC investors and other equity participants over a disputed tax indemnity payment.

We have already received a document demand in the federal court litigation, and we can expect to be called upon to produce documents in the other proceedings as well. Since the scope of documents to be produced is not yet determined, I would ask that you assemble and turn over to us all "documents" (as defined in the following sentence) in your possession, custody or control that pertain in any way to the MCV transaction (*i.e.*, regarding the leveraged lease financing, the facility, the parties, the PPA, the proceedings before the MPSC, etc.). For this purpose, the term "document" includes, in addition to the obvious categories of correspondence, memoranda, reports, agreements, drafts and the like, (i) other written records such as diaries, appointment calendars, telephone messages and logs, minutes, agendas and other meeting records, handwritten notes, computer printouts, data sheets, accounting entries, etc., (ii) computer-stored records and

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information, whether on hard drives or diskettes and whether yours, your secretary's or your department's, and (iii) electronic mail communications.

Please arrange to have any documents within the scope of this search collected, labeled as to source (to facilitate their proper return) and delivered to Donna Lyde (RA6N, ext. 9365) at your earliest convenience and, if possible, by next Monday, April 11. You should not undertake to have any documents copied, as they will be reviewed first by our counsel, White & Case, to determine which need to be copied and produced.

While the litigation and arbitration are pending, there should be no destruction of any documents pertaining to the subject. Accordingly, please consider that any scheduled destruction of such records under the applicable records management policy and procedure is suspended until further notice.

We appreciate your cooperation and trust that you understand the need to burden you with this undertaking. You should, of course, feel free to call me (ext. 9370) with any questions concerning our request for documents or the legal proceedings out of which it arises.

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